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Statewide Vacancy and Rental Rates Both Up and Down

Tight market persists in Central and Western Colorado, but it's a mixed bag on the Front Range

Third Quarter vacancy rates continued to tighten on the Western Slope and in the Central Mountains of Colorado. But the trend in vacancies varied throughout the Front Range according to a report released today by the Colorado Division of Housing. Rental rates continue to climb in all areas of the state.

Grand Junction's continued job growth produced an even tighter market as vacancy rates dropped to 2.8 percent from 5.4 percent reported in the 3rd Quarter 2005. In the same period, average rents increased from \$494 to \$566. Durango's vacancy rate dropped to 3.0 percent from 4.9 percent over the last year with most mountain areas such as Eagle County, Buena Vista, and Glenwood Springs reporting vacancy rents from 1 percent to 3 percent. Throughout the region, average rents generally continued a slow and steady increase.

On the Front Range, the trend in vacancy rates is less clear. Both Pueblo and Colorado Springs reported increases in their vacancy rates with Pueblo increasing to 8.0 percent from 6.7 percent a year ago and Colorado Springs increasing to 11.3 percent from 10.3 percent in the last year. Greeley, Fort Collins, and Loveland all reported declines in vacancy from 3rd Quarter 2005 with rates of 7.3, 8.9, and 8.0 respectively. By comparison, the Third Quarter 2006 Denver Metro Survey reported a Denver Metro vacancy rate of 6.7 percent. In general, five percent vacancy is regarded as an equilibrium rate by industry standards.

Over the past two years, as the job market has gradually improved, vacancy rates throughout the state have tended to decline. Increasing interest rates and foreclosures over recent quarters may also be a factor. Some renters may put off buying homes when interest rates increase, and homeowners in foreclosure generally must return to the rental market after foreclosure.

This quarter's numbers indicate that there is still some softness in the rental market, but even in areas where vacancy rates declined, average rents tended to increase. The continued increase in rental rates indicate that property owners expect the market to continue to improve.

The Colorado Statewide Vacancy and Rent Study is released the first and third quarter of each year by the Colorado Division of Housing. The Report is available online at the Division of Housing web site:
<http://dola.colorado.gov/doh>

The Colorado Vacancy and Rent Survey reports averages and, as a result, there are often differences in rental and vacancy rates by size, location, age of building, and apartment type. All information is based on data received for the month of September, except for resident turnover, which is for the month of August.

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